

Message Text

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STADIS////////////////////////////////////

FOR S/P: LAKE AND AF: MOOSE FROM AMBASSADOR

E.O. 11652: N/A
TAGS: ECON EAID XA MP
SUBJECT: FOREIGN ECONOMIC POLICY TOWARD AFRICA

SUMMARY. THIS CABLE RESPONDS TO REQUEST IN REFTEL FOR REACTIONS,
COMMENTS, RECOMMENDATIONS ON NEW APPROACHES TO U.S. ECONOMIC
AND AID POLICIES. THE FIRST SECTION COMMENTS ON AFRICA
IN GENERAL, AND THE SECOND SECTION MAKES SOME SUGGESTIONS
ABOUT MAURITIUS IN PARTICULAR. END SUMMARY.

I. AFRICA IN GENERAL

(A) WE NEED TO UNDERTAKE A STRENUOUS COST-BENEFIT ANALYSIS OF
WHAT WE HAVE ACCOMPLISHED THROUGH OUR DEVELOPMENT ASSISTANCE
PROGRAMS IN EACH AFRICAN COUNTRY SINCE WE Began THEM. AID MISSIONS
TEND MOSTLY TO PLAN AHEAD, BUT NOT TO LOOK BACKWARD TOO OFTEN
(SOMEONE MAY BE GAINING ON THEM). WE COULD LEARN LESSONS
FROM THE SUCCESSES AND FAILURES OF THE PAST, WITH T E AIM OF
CONCENTRATING IN THE FUTURE ON AREAS AND TYPES OF ASSISTANCE
THAT HAVE WORKED WELL HISTORICALLY. FOR EACH COUNTRY WE SHOULD START
BY ANSWERING THE SIMPLE QUESTION: FOR THE TEN OR TWENTY OR
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PAGE 02 PORT L 00773 01 OF 02 102132Z

THIRTY OF FIFTY MILLION DOLLARS WE HAVE SPENT IN COUNTRY X
OVER THE PAST FIFTEEN YEARS, WHAT HAVZ WE ACCOMPLISHED?
WHAT HAS BEEN OF LASTING RATHER THAN OF TRANSITORY VALUE,
AND WHY DID SOME THINGS WORK AND OTHER THINGS NOT?

(B) IT IS OFTEN WRONG TO TRY TO GENERALIZE AID PROGRAMS
FOR THE WHOLE OF AFRICA, TO PURSUE THIS OR THAT FAD ACROSS

THE BOARD, REGARDLESS OF THE VAST PARTICULAR DIFFERENCES AMONG COUNTRIES: FOR EXAMPLE, TO SAY THIS YEAR WE ARE GOING TO FIGHT ILLITERACY ALL OVER AFRICA, OR IMPROVE DELIVERY OF RURAL HEALTH SERVICES ALL OVER AFRICA, OR BUILD ROADS ALL OVER AFRICA. EACH COUNTRY'S AID PROGRAM NEEDS TO BE TAILORED CAREFULLY TO SUIT ITS CIRCUMSTANCES. IN ONE COUNTRY THE BEST THING WE COULD BE DOING THIS YEAR IS FIGHTING FAMINE WHEREAS IN ANOTHER WE SHOULD BE BUILDING MULTI-MILLION DOLLAR DAMS. WE SHOULD AVOID THE TENDENCY TO CREATE ONE CONTINENT-BROAD AID PROGRAM FOR AFRICA.

(C) I HAVE HEARD THE COMPLAINT VOICED OFTEN BY AMBASSADORS SERVING IN AFRICA ABOUT THEIR BEING PREVENTED FROM GETTING INTO INFRASTRUCTURE PROJECTS. I WONDER WHETHER SOME OF THIS RESULTS FROM FRUSTRATION OVER THE LACK OF VISIBLE ACCOMPLISHMENTS FROM THEIR AID PROGRAMS AND A CONSEQUENT DESIRE TO SEE SOMETHING TANGIBLE, PHYSICAL, RISING ABOVE THE GROUND THAT THEY CAN POINT TO (PRESUMABLY WITH PRIDE) AS AN ACHIEVEMENT OF THE AMERICAN AID EFFORT. THIS LEADS DIRECTLY TO THE NEXT POINT.

(D) AID'S RECORD OF TIMELY DELIVERY IS ATROCIOUS. IT TAKES FOREVER TO GET FROM THE REQUEST, STUDYING AND PLANNING STAGE TO THE END RESULT OF ACCOMPLISHING SOMETHING IN THE COUNTRY BEING AIDED. AID'S FIRST REACTION TO AN AID REQUEST IS TO MOUNT A "FEASIBILITY STUDY" OF ONE KIND OR ANOTHER. ARE ALL LIMITED OFFICIAL USE

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PAGE 03 PORT L 00773 01 OF 02 102132Z

THESE ENDLESS STUDIES REALLY NECESSARY? I SUSPECT MUCH OF THIS ACTIVITY RESULTS FROM AN EFFORT TO COUNTER PAST CRITICISM FROM CONGRESS AND THE PUBLIC OVER AID PROJECTS THAT WENT WRONG. THE STUDIES DON'T NECESSARILY MAKE THEM GO RIGHT, BUT THEY AT LEAST BUTTRESS THE DEFENSE (I.E., "OUR FEASIBILITY STUDY SHOWED THIS TO BE A VIABLE PROJECT...") THE BEST SINGLE THING WE COULD DO IN THE FOREIGN ASSISTANCE AREA WOULD BE TO SPEED UP DELIVERY OF RESOURCES, WHATEVER THEY MAY BE.

(E) REQUESTS FOR BALANCE OF PAYMENTS ASSISTANCE SHOULD BE TREATED WITH GREAT SCEPTICISM AND SHOULD BE AVOIDED IN ALL BUT THE MOST EXCEPTIONAL CIRCUMSTANCES. SHORT TERM PROBLEMS RESULTING FROM NATURAL CALAMITIES OR CYCLICAL SWINGS DOWNWARD IN THE PRICES OF PRIMARY EXPORT COMMODITIES ARE PROPERLY DEALT WITH BY THE IMF. MORE LONG-TERM, STRUCTURAL IMBALANCES AND THOSE RESULTING FROM SHEER MISMANAGEMENT BY THE FOREIGN GOVERNMENT SHOULD NOT BE HELPED WITH SCARCE U.S. BILATERAL AID, BUT SHOULD REQUIRE BELT-TIGHTENING AND SEVERE LIMITATIONS ON LUXURY IMPORTS. IT IS SURPRISING HOW MANY IMPORTS ONE FINDS AVAILABLE IN THE POOREST COUNTRIES THAT ARE REALLY LUXURIES WHEN EXAMINED CLOSELY, FROM MERCEDES

FROM GERMANY TO SAREES FROM INDIA, TV SETS FROM JAPAN, FRESH ORANGES FROM SOUTH AFRICA, CHEESES FROM FRANCE, AND PHONOGRAPH RECORDS FROM THE UNITED STATES.

(F) TOO MUCH AID MONEY IS EATEN UP BY THE COSTS OF AMERICAN TECHNICIANS AS WELL AS BUREAUCRATS, PROGRAMMERS, ALL SORTS OF SUPPORT PERSONNEL AND ALL THE MANY COSTS ASSOCIATED WITH THEM. TECHNICAL ASSISTANCE SHOULD BE REDEFINED TO MEAN NOT THE SENDING OF AN AMERICAN TECHNICIAN TO A FOREIGN COUNTRY TO SHOW THE FOREIGNERS HOW TO DO SOMETHING BUT THE TRAINING OF A FOREIGN TECHNICIAN (IN THE U.S., AT HOME OR IN A THIRD COUNTRY) TO DO A JOB THAT COUNTRY NEEDS TO HAVE DONE BUT LACKS THE SKILLED PERSONNEL TO DO. AMERICAN TECHNICIANS MAY BE USEFUL FOR SHORT, ONE-TIME, ONE-SHOT INJECTIONS OF LIMITED OFFICIAL USE

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PAGE 04 PORT L 00773 01 OF 02 102132Z

TECHNICAL ADVICE INTO A FOREIGN COUNTRY'S DEVELOPMENTAL EFFORT, BUT BY TRAINING A FOREIGN TECHNICIAN WE CAN OBTAIN A GENERATION OR TWO OF EXPERTISE, USEFUL TO THE FOREIGN COUNTRY DAY AFTER DAY FOR MANY YEARS. IN THIS CONNECTION SOME CHANGES IN OUR IMMIGRATION LAWS MAY BE NECESSARY TO KEEP US FROM CONTRIBUTING TO THE BRAIN DRAIN FROM THE THIRD WORLD THROUGH OUR TRAINING PROGRAMS, FOR EXAMPLE BY MAKING IT IMPOSSIBLE FOR FOREIGNERS WHO HAVE COME TO THE U.S. FOR TRAINING UNDER OUR AUSPICES TO CHANGE THEIR STATUS IN ORDER TO REMAIN IN THE U.S.

(G) ENCOURAGING REGIONAL COOPERATION IS VERY APPEALING AS AN IDEA, TO CREATE LARGER MARKET ENTITIES TO ATTRACT FOREIGN INVESTMENT, FOR EXAMPLE. BUT OUR EXPERIENCE WITH THE EAST AFRICAN COMMUNITY WAS MOSTLY DISCOURAGING, AS EACH OF THE THREE COUNTRIES WANTED TO HAVE ITS OWN TIRE FACTORY, PHARMACEUTICAL PLANT, STEEL MILL, ETC. EVENTUALLY THE WHOLE THING BROKE UP AND WE NOW HAVE THREE AIRLINES INSTEAD OF ONE, THREE RAILWAYS, THREE TELECOMMUNICATIONS COMPANIES, ETC. PERHAPS THE PROSPECTS FOR REGIONAL COOPERATION ARE BETTER IN WEST AFRICA. ONE CERTAINLY HOPES SO.

(H) THE PROPOSAL TO ENCOURAGE DIVERSIFICATION OF EXPORTS IS CERTAINLY A GOOD LINE OF ATTACK, AS IS THE IDEA OF PROMOTING GREATER PROCESSING OF PRIMARY EXPORT PRODUCTS IN ORDER TO RETAIN MORE VALUE ADDED IN THE EXPORTING COUNTRY. THIS PROBLEM IS DIRECTLY TRACEABLE TO THE COLONIAL PERIOD, WHEN THE METROPOLES WISHED TO DO THE PROCESSING AT HOME, FOR THE JOB CREATION AND PROFIT TO BE MADE FROM THE PROCESSING. THERE IS NO GOOD TECHNICAL REASON WHY AFRICAN COUNTRIES SHOULD EXPORT RAW COTTON RATHER THAN YARN, PEANUTS RATHER THAN PEANUT OIL, COFFEE BEANS RATHER THAN INSTANT COFFEE. IT WOULD OF COURSE TAKE SOME INVESTMENT, BUT IT WOULD SEEM THAT THIS SORT OF INVESTMENT WOULD ALMOST LIMITED OFFICIAL USE

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PAGE 05 PORT L 00773 01 OF 02 102132Z

GUARANTEE A GOOD RETURN.

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PAGE 01 PORT L 00773 02 OF 02 102218Z

ACTION AF-10

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STADIS////////////////////////////////////

FOR S/P: LAKE AND AF: MOOSE FROM AMBASSADOR

(I) WE MAY NOT AGREE THAT THE HOST COUNTRY'S DEVELOPMENT PRIORITIES ARE THE PROPER ONES, BUT WE ARE UNLIKELY TO BE ABLE TO CHANGE THEM DRASTICALLY. STILL, WE OUGHT TO BE WBLE TO FIND SOME PROJECTS WITHIN THEIR PROIRITIES THAT APPEAL TO US. U.S. AID PROJECTS OUGHT TO MEET THESE CRITERIA:

(1) A HIGH PRIORITY OF T E HOST COUNTRY; (2) SOMETHING WE THINK OUGHT O HAVE A HIGH PRIORITY; (3) A PROJECT THAT WE HAVE DONE SUCCESSFULLY IN THE PAST AND ARE THEREFORE LIKELY TO SUCCEED WITH IN THE FUTURE.

II. MAURITIUS IN PARTICULARLY

(A) WE SHOULD

AVOID INVOLVEMENT IN ANY INFRASTRUCTURE PROJECTS IN MAURITIUS. FRANCE AND BRITAIN ARE ALREADY DOING A NUMBER OF IMPORTANT ONES, AND THE GOM HAS ACCESS TO THE WORLD, AFRICAN, COMMON MARKET AND ARAB DEVELOPMENT BANKS FOR MANY MORE. MAURITIUS HAS ONE OF THE LOWEST DEBT SERVICE RATIOS IN THE THIRD WORLD, HAS VERY GOOD CREDIT, AND CAN BORROW COMMERCIALLY WITH NO TROUBLE AS WELL AS FROM THE IFI'S.

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PAGE 02 PORT L 00773 02 OF 02 102218Z

(B) THOUGH SUGAR IS THE ONLY VIABLE MAJOR CASH CROP FOR THIS COUNTRY, SOME DIVERSIFICATION AWAY FROM SUGAR WOQLD NAKE SENSE, BOTH BECAUSE OF THE LOW PRICE SUGAR COMMANDS, THE SURPLUS WORLD PRODUCTION AND THE SOMEWHAT DIM FUTURE PROSPECTS FOR THIS COMMODITY. LAND TAKEN OUT OF SUGAR COULD BE PROFITABLY PUT INTO FOOD PRODUCTION FOR LOCAL CONSUMPTION. THE COUNTRY TODAY SPENDS TOO MUCH ON IMPORTED FOOD, AND ITS EFFORTS TO INCREASE LOCAL FOOD PRODUCTION DURING THE PAST TEN YEARS HAVE NOT BEEM VERY SUCCESSFUL. THERE ARE NO MAJORHUNUSED RESOURCES IN THE WYHOF LAND, BUT CATTLE AND MIL PRODUCTION COULD BE ENCOURAGED THROUGH FEED-LOT PRODUCTION, AND THE PLANTING OF THINGS LIKE POTATOES AND CORN BETWEEN THE ROWS OX SUGAR CANE COULD BE DONE MUCH MORE EXTENSIVELY.

(C) THIS COUNTRY NEEDS NO TECHNICAL ASSISTANCE (AS OPPOSED TO TECHNOLOGY) FROM US, AND PROBABLY COULD GET BY WITH VERY LITTLE FROM ELSEWHERE. (THEREH HAS BEEN CRITICISM THAT INDIA FOR ONE SENDS ITS SURPLUS LOW-GRADE TECHNICIANS HERE TO LIVE ON A SORT OF DOE

AND KEEP OUT OF TROUBLE AT HOME WHILE SUPPOSEDLY GIVING ADVICE TO MAURITIANS WHO KNOW AS MUCH OR MORE THAN

THEY DO. THERE IS SOME TRUTH IN THIS.) IT DOES LACK SKILLS OF MANY KINDS, BUT I HAS EDUCATED PEOPLE WHO COULD

BE GIVEN THE NECESSARY SKILLS, IF ONE COULD OVERCOME T E CULTURAL/SOCIAL PROBLKEM THAT ZVERY HIGH SCHOOL GRADUATE WANTS A AHITE COLLAR OFFICE JOB BECAUSE OF ITS STATUS (AND TO SOME EXTENT ITSHPAY AND SECURITY). THERE IS A LACK OFH SKILLED WORKERS OF CERTAIN KINDS. HWHAT COULD HELP WOULD BE ASSISTANCE WITH TECHNICAL TRAINING SCHOOLS, WHICH EXIST BUT WHICH ARE NOT TURNING OUT PEOPLE WITH THE SKILLS NEEDED IN THE NUMBERS NEEDED. (CONSTRUCTION WORKERS AND MECHANICS HAVE TO BE IMPORTED

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PAGE 03 PORT L 00773 02 OF 02 102218Z

FROM ABROAD. THIS IS NO DOUBT TRUE ABOUT THE PRODUCTS OF THEH EDUCATIONAL SSSTEM IN MANY OTHER AFRICAN COUNTRIES.

(D) WE COULD DO A GOOD DEAL BETTER IN THE WAY OF TRANSFER OF ADVANCED TECHNOLOGY (INSTEAD OF TRANSFERRING AMERICAN TECHNICIANS) FOR EXAMPLE IN THZ NON-CONVENTIONAL, RENEWABLE ENERGY FIELD. IF WE COULD SHOW THE MAURITPAN HOW THEY COULD BUILD LOCALLY CHEAP SOLAR ENERGY HO-WATER HEATERS FOR PRIVATE

HOUSES THERE WOULD BE A CONSIDERABLE LONG-RANGE
SAVING FOR THE COUNTRY IN TERMS OF OIL IMPORTS, WHICH ARE USED
IN A SIGNIFICANT QUANTITY TO PRODUCE ELECTRICITY WHICH THEN
EATS HOUSEHOLD WATER, A VERY INEFFICIENT ENERGY STRUCTURE.

(E) OUR MOST IMPORTANT ECONOMIC RELATIONSHIP WITH MAURITIUS
HAS NOTHING TO DO WITH THE AID FIELD, BUT IS RATHER THE GOM'S
INTEREST IN MAINTAINING THE COUNTRY'S ACCESS TO OUR SUGAR MARKET.
AS THE MAJOR WORLD IMPORTER OF SUGAR, WE ARE MAINLY SIGNIFICANT
TO MAURITIUS AS AN ACTUAL AND POTENTIAL MARKET FOR ITS
PRIMARY EXPORT. SINCE THIS COUNTRY REMAINS TODAY DEPENDENT ON
SUGAR FOR 80 TO 85 PER CENT OF ITS EXPORT EARNINGS, THIS
MARKET POTENTIAL STANDS AT THE CENTER OF OUR RELATIONS IP IN ALL
DOMAINS. THE U.S. CONSUMER ALSO HAS AN INTEREST IN MAINTAINING
THE ACCESS OF SUGAR EXPORTERS TO OUR MARKET. OUR SUGAR PRODUCERS
HAVE, OFHCOURSE, UUIITE OTHER INTERZSTS. NATURALLY, ANY
U.S. ADMINISTRATPON MUST RECONCILE THESE CONFLICTPNG INTERESTS.
OUR SUGAR CONSUMERS AGE NOT WELL ORGANIZED AND ARE THEREFORE
NOT INFLUENTIAL. OUR PRODUCERS ARE. I SUSPPOSE IT IS UP
TO THE MANAGERS OF OUR FOREIGN RELATIONS IN WASHINGTON IN THE
EXECUTIVEHBRANCE ASHWELL AS IN THE CONGRESS TO GIVE DUE
WEIGHT TO HE INTERESTS OF SUC FRIENDLY COUNTRIES AS MAURITIUS
WHEN WORKING OUT OUR NATIONAL SUGAR POLICY.
KEELEY

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